

# CONNELL FOLEY LLP

## ATTORNEYS AT LAW

85 LIVINGSTON AVENUE  
ROSELAND, NJ 07068-3702  
(973) 535-0500  
FAX: (973) 535-9217

### OTHER OFFICES

HARBORSIDE FINANCIAL  
CENTER  
2510 PLAZA FIVE  
JERSEY CITY, NJ 07311  
(201) 521-1000  
FAX: (201) 521-0100

1500 MARKET STREET  
12TH FLOOR,  
EAST TOWER  
PHILADELPHIA, PA 19102  
(215) 246-3403  
FAX: (215) 665-5727

THE ATRIUM, SUITE E  
309 MORRIS AVENUE  
SPRING LAKE, NJ 07762  
(732) 449-1440  
FAX: (732) 449-0934

888 SEVENTH AVENUE  
9TH FLOOR  
NEW YORK, NY 10106  
(212) 307-3700  
FAX: (212) 262-0050

LIBERTY VIEW  
457 HADDONFIELD  
ROAD, SUITE 230  
CHERRY HILL, NJ 08002  
(856) 317-7100  
FAX: (856) 317-7117

### COUNSEL

JOHN W. BISSELL  
EUGENE J. CODEY, JR.  
FRANCIS J. ORLANDO  
FRANCIS E. SCHILLER\*  
EUGENE P. SQUEO\*  
BRIAN P. MORRISSEY-  
NOEL D. HUMPHREYS\*  
ANTHONY ROMANO II\*

KARIN I. SPALDING\*  
JODI ANNE HUDSON\*  
RICHARD A. JAGEN  
JASON E. MARX\*  
ALEXIS E. LAZZARA  
SHANNON L. KEIM  
DANIEL B. KESSLER\*

JOHN A. PINDAR (1969)  
GEORGE W. CONNELL (2005)  
ADRIAN M. FOLEY, JR.  
GEORGE J. KENNY\*  
KENNETH F. KUNZMAN  
SAMUEL D. LORD  
RICHARD D. CATENACCI  
RICHARD J. BADOLATO\*  
PETER D. MANAHAN  
JOHN B. MURRAY  
MARK L. FLEDER  
KEVIN J. COAKLEY  
THOMAS S. COSMA  
KATHLEEN S. MURPHY  
PATRICK J. MCAULEY  
PETER J. PIZZI\*  
KEVIN R. GARDNER  
ROBERT E. RYAN  
MICHAEL X. MCBRIDE\*  
JEFFREY W. MORYAN\*  
EDWARD S. WARDELL  
PETER J. SMITH\*  
WILLIAM P. KRAUSS  
BRIAN G. STELLER  
PHILIP F. MCGOVERN, JR.  
KAREN PAINTER RANDALL  
LIZA M. WALSH  
JOHN P. LACEY  
MICHAEL J. CROWLEY-  
TIMOTHY E. CORRISTON\*

PATRICK J. HUGHES\*\*  
JAMES C. MCCANN\*  
JOHN D. CROMIE  
ANGELA A. IUSO\*  
WILLIAM T. MCGLOIN\*  
BRENDAN JUDGE  
STEPHEN A. URBAN  
CHARLES J. HARRINGTON III\*  
STEPHEN V. FALANGA\*  
TRICIA O'REILLY\*  
ANTHONY F. VITIELLO\*\*  
MARC D. HAEFNER  
JONATHAN P. MCHENRY  
BRAD D. SHALIT\*  
M. TREVOR LYONS\*  
CRAIG S. DEMARESKI\*  
W. NEVINS MCCANN\*  
THOMAS J. O'LEARY\*  
MITCHELL W. TARASCHI  
MICHAEL A. SHADIACK  
OWEN C. MCCARTHY\*  
PATRICIA A. LEE\*  
AGNIESZKA ANTONIAN\*  
CHRISTOPHER J. TUCCI+  
NEIL V. MODY\*  
STEVE BARNETT\*  
THOMAS M. SCUDERI\*  
JOSEPH M. MURPHY\*  
NANCY A. SKIDMORE\*  
CHRISTINE S. ORLANDO

\*ALSO ADMITTED IN NEW YORK

+ALSO ADMITTED IN PENNSYLVANIA

-ONLY ADMITTED IN NEW YORK

PLEASE REPLY TO ROSELAND, NJ

DOUGLAS J. SHORT\*  
JAMES M. MERENDINO  
MICHELE T. TANTALLA\*  
HECTOR D. RUIZ\*  
ROBERT A. VERDIBELLO\*  
JENNIFER C. CRITCHLEY\*  
PATRICK S. BRANNIGAN\*  
CHRISTINE I. GANNON\*  
PHILIP W. ALLOGRAMENTO III\*  
LAURIE B. KACHONICK\*  
ANDREW C. SAYLES\*  
STEPHEN D. KESSLER  
CHRISTOPHER ABATEMARCO\*  
ANTHONY J. CORINO\*  
WILLIAM D. DEVEAU\*  
MEGHAN BARRETT BURKE\*  
RUKHSANAH L. SINGH\*  
BRITTANY E. MIANO\*  
STACIE L. POWERS\*  
NICOLE B. DORY\*  
MICHAEL BOJBASA-  
EKTA B. PATEL+  
CHRISTOPHER M. HEMRICK\*  
SUSAN KWIATKOWSKI\*

MELISSA D. LOPEZ  
ANDREW L. BARON\*  
JASON D. FALK\*  
MICHAEL J. SHORT+  
VICTORIA N. MANOUSHAGIAN-  
PATRICK J. MURPHY, III  
MEGHAN K. MUSSO\*  
BRENDAN W. CARROLL\*  
EDMUND J. CAULFIELD\*  
SYDNEY J. DARLING\*  
JESSICA L. PALMER\*  
NEIL V. SHAH\*  
STEPHEN R. TURANO\*  
TARA L. TOULOUIMIS\*  
STEVEN A. KROLL\*  
ROBERT M. DIPISA\*  
MATTHEW A. BAKER+  
MICHAEL J. CREEGAN\*  
THOMAS M. BLEWITT, JR.+  
BRIAN S. WOLFSON  
SONYA B. COLE\*  
MARY F. HURLEY  
DANIELLE M. NOVAK+  
JAMES E. FIGLIOZZI-

Writer's Direct Dial: (973) 533-4254  
Writer's Email Address: jmchenry@connellfoley.com

July 27, 2012

## VIA ELECTRONIC MAIL AND FEDERAL EXPRESS

Robert S. Sanoff, Esq.  
Foley Hoag  
155 Seaport Boulevard  
Boston, MA 02210-2600

Re: Home Ins. Co. v. Cornell-Dubilier Electronics, et al.  
Claim No.: 05-114501

Dear Mr. Sanoff:

On behalf of Defendants, Columbia Casualty Company and Continental Casualty Company (collectively, "CNA"), receipt is acknowledged of your July 19, 2012 letter, enclosing a proposed form of Consent Decree between your client, Cornell-Dubilier Electronics, Inc. ("CDE"), and various governmental entities, including the United States and the State of New Jersey. Your letter indicates that CDE intends to execute the proposed Consent Decree on or about July 30, 2012.

Your July 19<sup>th</sup> correspondence is the first notice (or indeed any indication whatsoever) that CDE has been engaged in what certainly appears to have been a long-standing process with the United States and New Jersey to negotiate the proposed Consent Decree that purports to assign \$367,453,449 in liability to CDE at the South Plainfield site (the "Site"). This 11<sup>th</sup> hour disclosure is particularly disconcerting given that the existence of information and documents regarding the Consent Decree negotiations were never disclosed nor produced in the pending insurance coverage litigation or the current mediation between our respective clients. In fact, CNA has continually requested all information and documentation regarding CDE's alleged liability at the Site, and CDE has repeatedly represented in the litigation and throughout the current mediation process (including as recently as only a few weeks ago) that it already provided all information in its possession.

In any event, on its face, the proposed Consent Decree appears to inappropriately stipulate to a liability amount to CDE that is based upon a highly speculative estimate of future liabilities unsupported by reliable site information. The CNA excess policies provide -- subject to all terms, conditions, and exclusions -- for indemnification of an amount of loss which is in excess of all applicable underlying limits of liability. As a result, any excess coverage provided by CNA would not be implicated unless and until all underlying limits have been fully and properly exhausted. While CNA has not been afforded sufficient time nor the information required to fully evaluate the proposed Consent Decree, it appears that the proposed stipulation for unincurred and speculative future damages is insufficient to implicate excess coverage, and the proposed Consent Decree may not be used to artificially accelerate any coverage obligations of the excess insurers.

The proposed Consent Decree also appears to contain unreasonable insurance recovery and distribution provisions. Indeed, while the precise meaning and operation of these objectionable provisions remain somewhat unclear to CNA, they appear to be inconsistent with and otherwise violate the provisions of the CNA excess liability insurance policies. Accordingly, CNA does not intend to and rejects any invitation to be bound by such provisions in the proposed Consent Decree.

Furthermore, even if the proposed Consent Decree were fully executed and approved by a Court, it does not appear that the purported liabilities to which CDE intends to stipulate would qualify as damages which would implicate the CNA excess policies at this time. In this regard, additional information is required (and hereby requested) as any alleged liabilities of CDE are actually incurred in order to determine whether and to what extent they give rise to a coverage obligation pursuant to the terms, conditions and exclusions of the CNA excess policies.

CNA further requests that CDE immediately produce any and all information and documentation that form the basis for the stipulated amount of liability that is contained in the proposed Consent Decree. This is a continuing request and, as set forth above, one that appears to have been largely ignored by CDE in both the litigation and our mediation discussions.

Additionally, CNA requests that CDE immediately produce all information and documents in its possession relating to its communications with the United States (including but not limited to the United States Attorney's Office, Department of Army, Defense Plant Corporation, DOD, DOI, DOJ, EPA, GSA, NOAA, any of their respective successor departments, agencies, trustees and/or instrumentalities; and with the State of New Jersey (including but not limited to the New Jersey State Attorney General's Office, the New Jersey Department of Environmental Protection, and any of their respective successor departments, agencies, trustees and/or instrumentalities), concerning CDE's alleged liabilities and the negotiation of the proposed Consent Decree.

In the meantime, based upon currently available information, please be advised that CNA does not consent to CDE's execution of the proposed Consent Decree, and continues to reserve all of its rights, including without limitation: (1) to assert any and all defenses to coverage, including that CNA is not liable for monetary obligations assumed or voluntarily paid; (2) to void coverage to the extent that CDE violates and terms and/or conditions of the CNA policies, including all provisions concerning assistance, cooperation, subrogation, and/or voluntary payment contained or incorporated as part of the policies; and (3) to seek any and all other appropriate relief as CNA investigates the timing, manner, method and basis through which CDE has negotiated and agreed to the terms, conditions and provisions of the Consent Decree.

Robert S. Sanoff, Esq.  
July 27, 2012  
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Please be further advised that CNA continues to reserve all of its rights to assert, without limitation, the defenses set forth more fully in its prior coverage position letters and in its Answer to the Complaint in the above-referenced consolidated matters.

Very truly yours,

A handwritten signature in blue ink that reads "Jonathan P. McHenry". The signature is written in a cursive style with a circular flourish at the end.

Jonathan P. McHenry

cc: Neil V. Mody, Esq.